

Message Text

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ACTION EUR-25

INFO OCT-01 EA-11 IO-14 ISO-00 SSO-00 CCO-00 AGR-20 AID-20

CEA-02 CIAE-00 COME-00 EB-11 FRB-02 INR-10 NEA-10

NSAE-00 RSC-01 OPIC-12 SP-03 TRSE-00 CIEP-02 LAB-06

SIL-01 SWF-02 OMB-01 L-03 SS-20 NSC-07 PRS-01 PA-04

USIA-15 SAM-01 DRC-01 /206 W
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R 250912Z APR 74

FM USMISSION OECD PARIS

TO SECSTATE WASH DC 2467

INFO AMEMBASSY ANKARA

AMEMBASSY ATHENS

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TASTO 2

E.O.11652: N/A

TAGS: ECON, OECD, OVIP (DONALDSON, WILLIAM H.)

SUBJECT: XCSS DISCUSSION COMMODITY PROBLEMS

REF: (A) CE(74)5, (B) CE(74)8

1. SUMMARY: XCSS GAVE GENERAL SUPPORT FOR IDEAS EXPRESSED IN SECRETARIAT DOC (REF A) AND FRENCH PROPOSALS (REF B); AGREED OECD SHOULD UNDERTAKE SYSTEMATIC STUDY OF FUNCTIONING OF COMMODITY MARKETS IN THEIR GLOBAL CONTEXT FROM BOTH LONG AND SHORT-RUN VIEWPOINTS; STRESSED OECD SHOULD MAKE USE WORK BEING DONE ELSEWHERE AND SHOULD ESPECIALLY TAKE ACCOUNT CONCLUSIONS SPECIAL SESSION UNGA; ASKED MINISTERS CONSIDER SUBJECT, ITS URGENCY, AND RECOMMEND SECRETARIAT MAKE PROPOSALS ALONG LINES EXPRESSED IN XCSS. END SUMMARY.

2. ANALYSIS OF PROBLEM: MOST XCSS DELS SUPPORTED ANALYSIS CONTAINED SECRETARIAT STUDY COMMODITIES (REFDOC A), ALTHOUGH FRENCH AND ONE OR TWO OTHERS WERE LESS OPTIMISTIC THAN SECRETARIAT ABOUT FUTURE COURSE COMMODITY PRICES. FRENCH AND SEVERAL OTHERS ALSO THOUGHT COMMODITY PRODUCERS HAD BETTER CHANCE FORMING EFFECTIVE CARTELS THAN SECRETARIAT GAVE THEM. UK DEL REMAINED SKEPTICAL - HE BELIEVED GOVERNMENTS HAD ONLY A LIMITED ABILITY OVER LONGER RUN TO AFFECT MARKET FORCES, WHICH WOULD TEND DESTROY CARTEL ARRANGEMENTS. MANY DELS STRESSED INTER-RELATIONSHIP BETWEEN RISING COMMODITY PRICES, INFLATION AND ITS INTERNATIONAL PROPAGATION, AND NEED TO BREAK THE SPIRAL OF EVER-RISING PRICES. MOST DELS NOTED COMPLEXITY OF COMMODITY PROBLEM AND MANY AGREED SEC'S APPROACH PARAELL REF DOC (A) WOULD BE USEFUL FOR ANALYSIS AND APPROPRIATE ACTIONS. GERMAN DEL MADE LIMITED OFFICIAL USE

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STRONG PITCH FOR RELIANCE ON MARKET FORCES TO BRING SUPPLY AND DEMAND IN COMMODITY MARKETS INTO EQUILIBRIUM AND ARGUED THAT REAL ROOT OF PROBLEM WAS MONOPOLISTIC AND CARTEL PRACTICES, WHICH IF REMOVED WOULD MAKE GOVERNMENTS' INTERVENTION IN COMMODITY MARKETS UNNECESSARY.

3. PROPOSED ACTION: XCSS AGREED ACCEPT SECRETARIAT'S AND FRENCH PROPOSED PROGRAM OF ACTION BUT IN MOST CASES

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TASTO 02

WITH SOME QUALIFICATION, PARTICULARLY RESPECTING CONSIDERATION OF ACTIONS NOTED PARAS 17-20, REFDOC (A). IT WAS AGREED IN GENERAL THAT OECD SHOULD UNDERTAKE A SYSTEMATIC STUDY OF THE FUNCTIONING OF COMMODITY MARKETS IN THEIR GLOBAL CONTEXT AND FROM BOTH SHORT-RUN AND LONG-RUN POINTS OF VIEW. STUDY WOULD BE POLICY ORIENTED AND WOULD INCLUDE INTER-ALIA, ASSESSMENT OF STOCK BUILDING IN MARKET STABILIZATION, DESIRABILITY OF MINIMIZING USE TRADE RESTRICTIONS AND OF ENSURING STABILITY SUPPLY. ALL DELS WHO SPOKE URGED OECD AVOID DUPLICATION WORK BEING UNDERTAKEN IN OTHER FORUMS, AND ASKED OECD MAKE ITS STUDY AND RECOMMENDATIONS FOR WORK PROGRAM IN LIGHT CONCLUSIONS SPECIAL SESSION UNGA. JAPANESE STRESSED NEED TO ESTABLISH GUIDELINES AND RULES TO PREVENT COUNTRIES IMPOSING EXPORT CONTROLS ARBITRARILY AND SUGGESTED OECD TRADE COMMITTEE UNDERTAKE WORK THIS AREA. XCSS WILL RECOMMEND MINISTERS APPROVE STUDY ALONG LINES DISCUSSED.

4. US DEL (DONALDSON) ENDORSED CONCEPTS IN SECRETARIAT'S AND FRENCH PROPOSED STUDIES, BUT EXPRESSED WISH THAT WORK HAVE FOCUS AND BE SPECIFIC. US WOULD ENTER INTO THIS WORK WITH AN OPEN MIND, BUT IT REMAINED SKEPTICAL THAT GOVERNMENTS COULD ORGANIZE COMMODITY MARKETS THROUGH AGREEMENTS AIMED AT CONTROLLING SUPPLY. US HAD FOUND SUCH AGREEMENTS TO BE UNWORKABLE. HE NOTED THAT IN PARTICULAR THAT OECD WOULD HAVE TO DEAL INCREASINGLY OVER LONGER RUN WITH SHORT SUPPLY SITUATION, AND US WOULD SUPPORT EFFORTS BRING EXPORT CONTROLS UNDER MORE EFFECTIVE INTERNATIONAL DISCIPLINE, INCLUDING IMPROVED GUIDELINES, PROCEDURES, AND POSSIBLY NEGOTIATION OF MORE SPECIFIC COMMITMENTS ON ACCESS TO SUPPLIES OF CERTAIN

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COMMODITIES. DISCUSSION IN OECD CONTEXT COULD PROVIDE
USEFUL BASIS FOR FUTURE NEGOTIATIONS IN GATT AND
POSSIBLY OTHER FORUMS.

5. AGREED CONCLUSIONS THIS SUBJECT FOR ENTRY XCSS
MINUTES BEING REPORTED SEPARATELY.
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Disposition Approved on Date:
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Disposition Date: 28 MAY 2004
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